

# Nebraska Advantage Act

The Department of Revenue began accepting Nebraska Advantage Act project applications on January 1, 2006. A taxpayer involved in a qualifying business activity may file an application which summarizes a plan of expansion consistent with the investment and/or employment requirements of one of the five available tiers. A new employee must earn at least 60% of the Nebraska average annual wage to count toward the full-time equivalent calculation. The benefits earned under the Nebraska Advantage Act depend on the amount of expansion and varies by tier. The minimum investment and employment growth, as well as, the benefits by tier are summarized as follows:

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Minimum Investment Growth	\$1,000,000	\$3,000,000	n/a	\$10,000,000	\$30,000,000
Minimum Employment Growth	10 FTE	30 FTE	30 FTE	100 FTE	Maintenance
Direct Refund	50%	100%	n/a	100%	100%
Investment Credit	3%	10%	n/a	10%	n/a
Compensation Credit	3% to 6%	3% to 6%	3% to 6%	3% to 6%	n/a
Property tax exemption	n/a	n/a	n/a	Yes	n/a

**Direct Refunds:** Refunds of properly paid Nebraska and local option sales and use taxes paid on purchases of qualified property for use at the project, or on aircraft for use in connection with the project, which are placed in service at the project during the attainment and entitlement period.

**Investment Credit:** A credit equal to three percent (Tier 1) or ten percent (Tier 2 and 4) of the investment made in qualified property at the project during the attainment or entitlement periods.

**Compensation Credit:** A credit, each year of the entitlement period, equal to three to six percent times the average annual wage of the new employees earning the required wage times the number of new full-time equivalent employees.

**Property tax exemption:** Turbine powered aircraft, acquired after the date of application, may be exempted from the first January 1 following the date of acquisition of the property through the ninth year after the project attains the minimum required investment level of \$10 million in new investment and a 100 new, full-time equivalent employees. Mainframe business computers and specific peripherals that require environmental controls of temperature and power; business equipment involved directly in the processing of agricultural products; and distribution facility equipment used to store and move product may be exempted from the first January 1 following the end of the year during which the required levels were exceeded and the next nine years.

**Credit Usage:** The investment and compensation credits may be used against the unitary income tax liability of the applicant from the year of qualification through the end of the project and for refunds of otherwise non-refundable sales and use taxes paid on purchases at the project from the beginning of the year after qualification through the end of the project. The compensation credit may be used against the portion of the Nebraska payroll withholding attributable to the new employees from the year after qualification through the end of the project.

## **Audit and Review Procedures**

A taxpayer submits an application with supporting documents, including an application fee, to the Department of Revenue. Each application is reviewed for assurance that the applicant is an eligible taxpayer and the plan relates to a qualifying business activity at interdependent locations. During the period covered by this report, there were 86 agreements signed. Other applications were being reviewed or were in various stages of correspondence with taxpayers for additional information or clarification of their application.

## **Comparison to Incentive Programs Available in Other States**

There are many approaches among states for granting tax incentives for businesses. The table on the following page summarizes tax incentives in states that somewhat follow the Nebraska model of granting tax incentives. For example, qualification for incentives is not dependent upon the location of a project in an enterprise or other limited geography. Thus, states that offer jobs or investment credits, to businesses, but only to those who locate in a limited geography, are not counted. States that offer incentives but have different qualification levels depending upon geography are counted provided that a project could qualify, at some level, in every part of the state.

States may also limit qualification for incentives to targeted industries. Nebraska does this, and the table counts those states where incentives are limited only to targeted activities. Finally, Nebraska refunds the sales and use tax on qualified investments, but some states refund only a portion of the tax. These states are counted as having a refund. Some states have broader Sales and Use tax exemptions than Nebraska, but do not provide a refund of any taxes paid. Exemptions are outside the scope of this report, and states are not counted that do not provide at least a partial refund of sales and use taxes paid on qualified investment.